

THE MUNRO FUND

**ANNUAL REPORT
AND FINANCIAL STATEMENTS**

For the period from launch on 14 September 2007 to 31 January 2009

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COMPANY INFORMATION

Authorised Corporate Director/Registrar/Administrator

Smith & Williamson Fund Administration Limited
25 Moorgate
London EC2R 6AY

Telephone: 020 7131 4000 (General)
020 7131 4951 (Dealing & Registration)

Authorised and regulated by the Financial Services Authority

Directors

Karen Barrow
David Cobb (resigned 30 January 2008)
Andrew Fullerton-Batten (resigned 31 October 2008)
Tim Lyford
Giles Murphy
Martin Rose
Geoff Windebank

Investment Manager

Fundamental Tracker Investment Management Limited
Exchange House, 50 Drymen Road
Bearsden
Glasgow G61 2RH

Authorised and regulated by the Financial Services Authority

Depositary

The Royal Bank of Scotland plc
Trustee & Depositary Services
Waterhouse Square
138-142 Holborn
London EC1N 2TH

Telephone: 020 7427 8781

Authorised and regulated by the Financial Services Authority

Auditor

KPMG Audit plc
Chartered Accountants & Registered Auditors
One Canada Square
London E14 5AG

THE AUTHORISED CORPORATE DIRECTOR'S REPORT

AUTHORISED STATUS

The Munro Fund ("The Company") is an authorised open-ended investment company with variable capital further to a Financial Services Authority ("FSA") authorisation order dated 18 July 2007. The company is incorporated under registration number IC000551. It is a UCITS scheme complying with the investment and borrowing powers rules in Chapter 5 of the Collective Investment Schemes sourcebook (COLL) issued by the FSA.

The company has been set up as an umbrella company. Provision exists for an unlimited number of sub-funds to be included within the "umbrella" and additional sub-funds may be established by the ACD with the agreement of the Depositary and the approval of the FSA. The shareholders are not liable for the debts of the Company. A sub-fund is not a legal entity. If the net assets attributable to one sub-fund are insufficient to meet the liabilities attributable to that sub-fund, the shortfall may have to be met out of the assets attributable to the other sub-funds.

The Munro Fund has currently one sub-fund available for investment, which complies with COLL.

The Instrument of Incorporation can be inspected at the office of the Authorised Corporate Director (ACD).

INVESTMENT OBJECTIVES AND POLICIES

Munro UK Fund

The objective of the Fund is to maximize the overall return through investment securities listed on the UK stock market.

The fund will seek to outperform the FTSE 350 over the long term by holding all securities, excluding Investment Trusts, in that index that are forecast to pay a dividend. The Fund will be constructed on the basis of the underlying fundamental financial attributes of the companies in the index rather on their market capitalisation. The weight of each company in the Fund will be determined by the proportion that its forecast total dividend will be expected to make of the total income of all companies held in the Fund. The data will be sourced from consensus forecasts as compiled by information providers such as Bloomberg and Reuters. Allowance will be made for securities forecast to be bought back. Such a rigorous process can be closely defined and will be insensitive to the personal preferences of the Investment Adviser.

The Fund may also invest in bonds, collective investment schemes, warrants, money market instruments, cash, deposits and other permitted investments.

It is the ACD's intention that derivatives be used for hedging purposes using efficient portfolio management style techniques.

The ACD does not intend to have an interest in any immovable property or tangible movable property.

The Company will be managed in a manner that maintains eligibility for the stocks and shares component of an individual savings account.

RISK FACTORS - FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISK

In pursuing its investment objectives the sub-fund holds a number of financial instruments. These financial instruments may comprise of but are not limited to:

- Equity shares, equity related shares and non-equity shares, fixed income securities, floating rate securities;
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations;

- Derivative transactions which the sub-fund may also enter into, the purpose of which is to manage the market risks arising from the sub-fund's investment activities; and
- Short term borrowings which may be used to finance investment activity.

There is no assurance that investment objectives of the sub-fund will actually be achieved. Past performance is not a guide to future performance.

The main risks and the ACD's policies for managing these risks are summarised below and have been applied throughout the period and the preceding period.

Interest rate risk

Interest rate risk is the risk of movement in the financial instruments as a result of fluctuations in interest rates. Any changes in interest rate may cause the value of fixed interest securities to increase or decrease.

The investment adviser will reduce the risk by diversifying the durations of the fixed income investments that are held at a given time.

Currency risk

The sub-fund is subject to currency risk which is the risk that the value in pound sterling terms of investments that are not denominated in pounds may rise and fall purely on account of exchange rate fluctuations, which will have a related effect on the price of the share.

The investment adviser may use derivatives (forward exchange contracts) to manage currency risk.

Credit risk

Fixed Income securities are subject to credit risk, the risk that an issuer or counterparty will default.

The sub-fund will only buy and sell investments which have been approved by the ACD as acceptable counterparties. These are reviewed on an ongoing basis.

Liquidity risk

The sub-fund is subject to liquidity risk which is the risk that a position may not be liquidated in a timely manner at a reasonable price.

The risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

Market price risk

Investment in the sub-fund will involve exposure to those risks normally associated with investment in stocks and shares. As such the price of shares and the income from them can go down as well as up and an investor may not get back the amount he has invested.

Adherence to investment guidelines and to investment and borrowing powers as set out in the prospectus and the regulations mitigates the risk of excessive exposure to any particular type of security or issue.

Derivative instruments may also be used to mitigate risk and reduce costs.

INCOME

Where net income is available it will be distributed semi-annually on 30 September (interim) and 31 May (final). In the event of a distribution shareholders will receive at this date a tax voucher and unless they have given instructions for payment to be made direct to a bank, a distribution warrant.

In simple terms, this has the effect of charging a 0.5% tax on the value of each surrender of shares, where those shares are subsequently sold to another investor, and in proportion to how much of that fund invests in UK equities.

The ACD settles this liability from the assets of the fund itself. This will obviously reduce the assets of the fund. It is the ACD's estimate that the effect of this will be immaterial compared to the total assets of the fund.

In order to compensate the fund for this liability, managers of shares are entitled to charge a "Provision" against SDRT to both buyers and sellers of shares by way of an entry or exit charge as a provision for the SDRT for which the fund may become liable in respect of the surrender. This provision would be added to the purchase price of shares when they are bought, or deducted from the sales proceeds when sold. It would then be paid to the fund. Obviously this would cause the purchase price to the investor to rise, or the sales proceeds to fall.

It is not the ACD's intention to charge a Provision against SDRT to buyers or sellers of shares on normal transactions.

However, the ACD reserves the right to charge a SDRT Provision of up to 0.5% of its value, on a deal (a large deal) in the following circumstances:

- (a) A single deal which exceeds 5% of the value of the fund itself, and in the estimation of the ACD, is likely to cause a significantly abnormal liability to SDRT falling on the fund;
- (b) On a non pro-rata in specie redemption; and
- (c) On a third party transfer of shares.

The ACD estimates the number of occasions and the likely frequency of the occasions, on which an SDRT provision may be imposed, is 12 times per year.

PROSPECTUS AND SIMPLIFIED PROSPECTUS

Copies of the Prospectus and Simplified Prospectus are available free of charge from the ACD.

GENERIC REGULATORY DISCLOSURE

This document is issued by Smith & Williamson Fund Administration Limited which is authorised and regulated by the Financial Services Authority.

Tax reliefs may change in the future. Any references in this report to other investments held within the Company should not be read as a recommendation to the investor to buy or sell, but are included as illustrations only. This is not an offer nor a solicitation to buy or sell any investment referred to in this document. The issuer and its affiliates and/or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and from time to time may add to or dispose of any such investment. The contents of this document are based upon sources of information believed to be reliable but no guarantee, warranty or representation, express or implied, is given to their accuracy or completeness.

THE MUNRO FUND

Fundamental Tracker Investment Management Limited Investment Adviser's Report For the period from 14 September 2007 to 31 January 2009

Investment Activities

The sharp collapse in UK banking shares and the outlook for the UK banking sector had the effect of raising the model weights of the other stocks, especially oil companies and HSBC. This resulted in the model weights of BP, Shell and HSBC all going over 10%. The fund is not allowed to hold more than 10% in any one stock; so much of the trading activity of the fund was directed towards ensuring that these stocks did not breach those limits. However, new money was allocated to them in periods of weakness. The managers were also mindful of the rule that all stocks with weights over 5% cannot exceed 40% of the fund. That required reducing the size of the holding in BHP Billiton on one occasion. New money allowed the fund to add a new position in Experian in January. However, the holding in Alliance and Leicester was sold ahead of its takeover by Santander and HBOS was acquired by Lloyds.

Investment Performance

During the period the accumulation units of the X class outperformed the benchmark by 3%. This was a consequence of the 17.4% decline in the fund compared to a fall of 20.4% in the FTSE 350 Total Return index. This outperformance was mainly due to the underweight position in mining shares at the start of the period. These shares fell substantially during the period after BHP Billiton abandoned its bid for Rio Tinto and the market became aware of the full scale of the downturn in commodity prices. During this period the mining index fell by 52.6% and the banking index dropped 48.7%. Despite the fall in oil prices over this time the oil sector only fell by 1.9% and an overweight position in this sector also helped the fund outperform the market.

Investment Strategy

The fund continues to use its fundamental tracking process to allocate capital to stocks in proportion to a company's contribution to the gross cash dividend income for the FTSE 350 Index. Evidence that the strategy has merit is evident from the fund's underweight position in the mining stocks in the middle of last year. This sector had become too expensive because of bid activity and misplaced euphoria over the length of the commodity cycle. The model indicated that profits from mining would be strong, but not as strong as market valuations were suggesting. When bid activity lapsed and commodity prices fell mining shares fell sharply and vindicated this approach.

Rebalancing the model portfolio on a monthly basis allows the fund to take advantage of short term market nervousness for new money being invested. The manager feels the outlook for the fund is positive because the yield on the FTSE 350 Index of 5.4% is higher than the yield on five year gilts of 3.0%*. This suggests the market is being too pessimistic about the prospects for growth, especially as there is a large component of international earnings to many of the companies in the FTSE 350 Index.

*Source: Bloomberg

Date: 13 February 2008

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

PRICE & DISTRIBUTION RECORD

The following tables show the highest and lowest prices of shares in the fund, the income and accumulation shares distributions, net asset value, quoted prices, shares in issue and total expense ratio since launch of the fund on 14 September 2007.

Share Prices

Shares were first issued at 100.0p on 14 September 2007.

Income retail shares (share prices)

Calendar year	Highest price p	Lowest price p
2007	104.70	93.37
2008	99.32	56.36
2009*	69.51	59.67

*to 31 January 2009

Income institutional shares (share prices)

Calendar year	Highest price p	Lowest price p
2007	103.50	90.26
2008	95.96	54.40
2009*	67.12	57.63

*to 31 January 2009

Accumulation retail shares (share prices)

Calendar year	Highest price p	Lowest price p
2007	103.50	90.27
2008	95.98	55.83
2009*	68.84	59.09

*to 31 January 2009

Accumulation institutional shares (share prices)

Calendar year	Highest price p	Lowest price p
2007	104.70	93.42
2008	99.32	57.84
2009*	71.33	61.24

*to 31 January 2009

Accumulation class F shares (share prices)

Calendar year	Highest price p	Lowest price p
2007	100.00	100.00
2008	107.90	66.99
2009*	82.66	70.99

*to 31 January 2009

Income retail shares (Net distribution per share)

Calendar year	Interim p	Final p	Total p
2008	2.492	n/a	2.492
2009**	n/a	0.817	0.817

** to 31 May 2009 (payment date)

Income institutional shares (Net distribution per share)

Calendar year	Interim p	Final p	Total p
2008	2.492	n/a	2.492
2009**	n/a	0.790	0.790

** to 31 May 2009 (payment date)

Accumulation retail shares (Net distribution per share)

Calendar year	Interim p	Final p	Total p
2008	2.492	n/a	2.492
2009**	n/a	0.809	0.809

** to 31 May 2009 (payment date)

Accumulation institutional shares (Net distribution per share)

Calendar year	Interim p	Final p	Total p
2008	2.492	n/a	2.492
2009**	n/a	0.839	0.839

** to 31 May 2009 (payment date)

Accumulation class F shares (Net distribution per share)

Calendar year	Interim p	Final p	Total p
2008	2.492	n/a	2.492
2009**	n/a	0.973	0.973

** to 31 May 2009 (payment date)

Income retail Net asset value, quoted prices, shares in issue and total expense ratio ("TER").

Accounting date	Total net asset value £	Net asset value per share p	Quoted	Income shares in issue	Total expense ratio
			Income price p		
31/01/2009	369,037	62.06	62.50	594,640	2.62%

Income institutional Net asset value, quoted prices, shares in issue and total expense ratio ("TER").

Accounting date	Total net asset value £	Net asset value per share p	Quoted	Income shares in issue	Total expense ratio
			Income price p		
31/01/2009	15,862	59.82	60.37	26,517	1.63%

Accumulation retail Net asset value, quoted prices, shares in issue and total expense ratio ("TER").

Accounting date	Total net asset value £	Net asset value per share p	Quoted	Accumulation shares in issue	Total expense ratio
			Accumulation price p		
31/01/2009	109,663	61.43	61.88	178,504	2.17%

Accumulation institutional Net asset value, quoted prices, shares in issue and total expense ratio ("TER").

Accounting date	Total net asset value £	Net asset value per share p	Quoted	Accumulation shares in issue	Total expense ratio
			Accumulation price p		
31/01/2009	391,949	63.68	64.14	615,451	1.63%

Accumulation class F Net asset value, quoted prices, shares in issue and total expense ratio ("TER").

Accounting date	Total net asset value £	Net asset value per share p	Quoted	Accumulation shares in issue	Total expense ratio
			Accumulation price p		
31/01/2009	92,626	73.83	74.36	125,459	1.63%

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

STATEMENT OF AUTHORISED CORPORATE DIRECTORS' RESPONSIBILITIES

The Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations") and the Financial Services Authority's Collective Investment Schemes Sourcebook ("COLL Sourcebook") require the Authorised Corporate Director ("the ACD") to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Investment Company with Variable Capital ("ICVC") as at the end of the financial period and of its net income and expenses and the net gains or losses on the property of the ICVC for the period. In preparing the financial statements, the ACD is required to:

- a) select suitable accounting policies and then apply them consistently;
- b) comply with the disclosure requirements of the Statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the Investment Management Association, ("the IMA"), in December 2005;
- c) follow generally accepted United Kingdom accounting principles and applicable accounting standards;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the ICVC will continue in operation;
- e) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements; and
- f) make judgements and estimates that are reasonable and prudent.

The ACD is responsible for the management of the ICVC in accordance with its Instrument of Incorporation, the Prospectus, the OEIC Regulations and the COLL Sourcebook. The ACD is also responsible for keeping proper books of accounts, the system of internal controls and for ensuring that reasonable steps are taken for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF ACCOUNTS BY THE AUTHORISED CORPORATE DIRECTOR

In accordance with the requirements of the Open-Ended Investment Companies Regulations 2001, (“the OEIC Regulations”) and the COLL Sourcebook, we hereby certify the report on behalf of the ACD, Smith & Williamson Fund Administration Limited.

K Barrow

G Murphy

Directors
Smith & Williamson Fund Administration Limited

6 March 2009

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES IN RESPECT OF THE MUNRO FUND

The depositary is responsible for the safekeeping of all of the property of the company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's instrument of incorporation and prospectus in relation to the pricing of, and dealings in, shares in the company; the application of income of the company; and the investment and borrowing powers and restrictions applicable to the company.

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF THE MUNRO FUND

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the company, acting through the authorised corporate director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the company's shares, and the application of the company's income in accordance with COLL and, where applicable, the OEIC Regulations, the instrument of incorporation and prospectus of the company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the company.

The Royal Bank of Scotland plc
Trustee and Depositary Services

6 March 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE MUNRO FUND

We have audited the financial statements of the Company for the year ended 31 December 2008 which comprise the Statement of Total Return, the Statement of Change in Shareholders' Net Assets, the Balance Sheet together with the related notes, the Portfolio Statement, the Summary of Material Portfolio Changes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes Sourcebook issued by the Financial Services Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Authorised Corporate Director Smith and Williamson Fund Administration Limited and the Auditors

The ACD's responsibility for preparing the Annual Report and the financial statements in accordance with applicable law, UK financial services rules and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice) is set out in the Statement of ACD's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the instrument of incorporation, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority. We also report to you whether in our opinion the information given in the ACD's Report is consistent with the financial statements and whether we have received all the information and explanations necessary for the purposes of our audit.

In addition we report to you if, in our opinion, proper accounting records for the Company have not been kept or if the financial statements are not in agreement with those records.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 31 January 2009 and of the net income and the net losses on the property of the Company for the year then ended;
- the financial statements have been properly prepared in accordance with the instrument of incorporation, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority; and
- the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of the audit.

KPMG Audit Plc

Chartered Accountants and Registered Auditors
One Canada Square
London
E14 5AG

6 March 2009

**STATEMENT OF TOTAL RETURN
for the year ended 31 January 2009**

		31/01/2009*	
	Notes	£	£
Net losses on investments during the period	2		(394,201)
Other gains	3		18
Income	4	52,780	
Expenses	5	(42,297)	
Finance costs: Interest	7	<u>(549)</u>	
Net income before taxation		9,933	
Taxation	6	<u>(340)</u>	
Net income after taxation for the period			<u>9,594</u>
Total return before distributions			(384,590)
Finance costs: Distributions	7		(31,613)
Change in net assets attributable to shareholders			<u>(416,203)</u>

**STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS
for the year ended 31 January 2009**

		31/01/2009*	
		£	£
Net assets at the start of the period			-
<i>Movement due to sales and repurchases of shares</i>			
Amounts receivable on issue of shares		1,414,012	
Less: amounts payable on cancellation of shares		<u>(39,306)</u>	
			1,374,706
Income retained on Income Accumulation			20,164
Dilution levy charged			567
Stamp duty reserve tax			(95)
Change in net assets attributable to shareholders			(416,203)
Net assets at the end of the period			<u>979,138</u>

There have been no recognised gains and losses in the period other than those shown in the above statements.

**Being the first accounting period there are no comparatives shown.*

PORTFOLIO STATEMENT
as at 31 January 2009

Holding	Market value £	% of total net assets
UNITED KINGDOM 87.42% (86.15%)		
OIL & GAS 19.140% (14.90%)		
Oil & Gas Producers		
17,824 BP	88,185	9.01
596 BG Group	5,632	0.58
2,397 Royal Dutch Shell B	40,294	4.12
3,035 Royal Dutch Shell A	53,082	5.43
	<u>187,193</u>	<u>19.14</u>
BASIC MATERIALS 10.19% (7.43%)		
Mining		
1,199 Anglo American	15,299	1.56
314 Antofagasta	1,314	0.13
3,710 BHP Billiton	44,297	4.52
1,513 Eurasian Natural Reserves	4,842	0.49
1,968 Rio Tinto	31,823	3.25
380 Xstrata	2,318	0.24
	<u>99,893</u>	<u>10.19</u>
INDUSTRIALS 2.58% (2.62%)		
Aerospace & Defence		
2,209 BAE Systems	8,957	0.91
Construction & Materials		
256 Reckitt Benckiser	6,876	0.70
1,060 Taylor Wimpey	167	0.02
General Industrials		
400 Rexam	1,227	0.13
231 Smiths Group	1,990	0.20
Industrial Engineering		
765 Rolls Royce Group	2,549	0.26
43,758 Rolls Royce Group 'C' Shares (Jan 2009)	44	0.00
Support Services		
1,339 Rentokil	572	0.06
492 Experian PLC	2,101	0.21
469 Wolseley	842	0.09
	<u>25,325</u>	<u>2.58</u>
CONSUMER GOODS 8.64% (8.18%)		
Beverages		
1,389 Diageo	13,105	1.34
853 Sabmiller	9,639	0.98
Food Producers		
357 Associated British Foods	2,359	0.24
546 Cadbury	3,077	0.31
321 Persimmon	923	0.09
897 Unilever	14,065	1.44
Household goods		
312 Barratt Developments	220	0.02
Tobacco		
1,452 British American Tobacco	27,573	2.82
729 Imperial Tobacco	13,720	1.40
	<u>84,681</u>	<u>8.64</u>

HEALTH CARE 7.76% (6.78%)			
Pharmaceuticals & Biotechnology			
1,233	Astrazeneca	32,761	3.35
3,528	GlaxoSmithKline	43,077	4.41
		<u>75,838</u>	<u>7.76</u>
CONSUMER SERVICES 6.11% (6.46%)			
Food & Drug Retailers			
954	Morrison (WM) Supermarkets	2,540	0.26
744	Sainsbury	2,459	0.25
4,237	Tesco	15,079	1.54
General Retailers			
2,028	DSG International	456	0.05
630	Home Retail Group	1,310	0.13
2,358	Kingfisher	3,304	0.34
1,124	Marks and Spencers	2,599	0.27
109	Next	1,285	0.13
Media			
857	British Sky Broadcast Group	4,253	0.43
2,103	ITV	605	0.06
598	Pearson	4,028	0.41
569	Reed Elsevier	2,973	0.30
78	Thomson Reuters	1,110	0.11
459	WPP Group	1,805	0.18
691	Yell Group	321	0.03
Travel & Leisure			
671	British Airways	843	0.09
749	Carnival	9,520	0.97
1,013	Compass Group	3,464	0.35
937	Tui Travel	2,052	0.21
		<u>60,006</u>	<u>6.11</u>
TELECOMMUNICATIONS 7.83% (6.98%)			
Fixed Line Telecommunication			
9,634	BT	10,184	1.04
1,800	Cable & Wireless	2,839	0.29
Mobile Telecommunications			
48,576	Vodafone	63,659	6.50
		<u>76,682</u>	<u>7.83</u>
UTILITIES 4.96% (5.85%)			
Electricity			
568	Drax Group	3,164	0.32
662	International Power	1,759	0.18
805	Scottish & Southern Energy	9,547	0.98
Gas, Water and Multiutilities			
4,507	Centrica	11,729	1.20
2,499	National Grid	16,493	1.68
186	Severn Trent	2,048	0.21
711	United Utilities Group	3,854	0.39
		<u>48,594</u>	<u>4.96</u>
FINANCIALS 20.21% (26.95%)			
Banks			
18,239	Barclays	18,859	1.93
1,900	Bradford & Bingley 30/09/08	375	0.04
16,651	HSBC (Reg'd)	91,664	9.36
12,396	Lloyds TSB	11,342	1.16
16,746	Royal Bank of Scotland	3,701	0.38
2,100	Standard Chartered	17,860	1.82

Nonlife Insurance			
240	Admiral Group	2,167	0.22
2,447	RSA Insurance Group	3,257	0.33
Life Assurance			
4,327	Aviva	13,403	1.37
1,595	Friends Provident	1,324	0.14
7,453	Legal & General	4,584	0.47
8,430	Old Mutual	4,510	0.46
2,428	Prudential	8,437	0.86
1,497	Standard Life	3,222	0.33
Real Estate			
269	British Land	1,205	0.12
572	Land Securities Group	3,827	0.39
201	Liberty International	745	0.08
General Financials			
725	Investec	1,760	0.18
2,751	Man Group	5,536	0.57
		<u>197,778</u>	<u>20.21</u>
TOTAL UNITED KINGDOM		<u>855,990</u>	<u>87.42</u>
Portfolio of investments		855,990	87.42
Net other assets		123,148	12.58
Net assets		<u>979,138</u>	<u>100.00</u>

All investments are quoted securities unless otherwise stated.

BALANCE SHEET
as at 31 January 2009

		31/01/2009*	
	Notes	£	£
ASSETS			
Portfolio of investments			855,990
Debtors	8	2,099	
Cash and bank balances	9	<u>143,956</u>	
Total other assets			<u>146,055</u>
Total assets			1,002,045
LIABILITIES			
Creditors	10	(9,018)	
Bank overdraft	11	(8,821)	
Distribution payable on income shares		<u>(5,068)</u>	
Total other liabilities			<u>(22,907)</u>
Net assets attributable to shareholders			<u><u>979,138</u></u>

**Being the first accounting period there are no comparatives shown.*

SUMMARY OF MATERIAL PORTFOLIO CHANGES
for the period from launch on 14 September 2007 to 31 January 2009

PURCHASES	COST £
HSBC Holdings	162,150
BP	113,056
Vodafone Group	78,549
Royal Bank of Scotland Group	73,077
BHP Billiton	68,575
Royal Dutch Shell A	58,489
Barclays	55,856
Glaxosmithkline	52,633
Royal Dutch Shell B	46,056
Rio Tinto	44,064
HBOS	41,473
Lloyds TSB Group	40,294
Astrazeneca	30,737
Anglo American	25,602
British American Tobacco	25,289
BT Group	24,833
Aviva	20,897
Standard Chartered	20,478
National Grid	18,568
Tesco	18,234

Total purchases for the year were £1,347,757

SALES	PROCEEDS £
HSBC Holdings	34,632
BHP Billiton	18,745
BP	15,474
British Energy Group	11,138
Glaxosmithkline	6,083
Scottish & Newcastle	4,280
Resoultion	3,362
Kelda Group	2,660
Imperial Chemical Industries	2,104
Alliance & Leicester	1,577
United Utilities Group 'B'	1,566
Royal Bank of Scotland Group	1,523
Dr Pepper Snapple Group	1,328
HBOS	44
Rolls Royce Group B	30

Total sales for the year were £104,545

*All investments are quoted securities or regulated investment schemes
unless otherwise stated.*

*The above statement represents the twenty largest purchases and total sales
made during the period.*

THE MUNRO FUND

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

for the year ended 31 January 2009

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis as modified by the revaluation of investments, and in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice, "Financial Statement of Authorised Trusts" issued by the Investment Management Association (IMA) in December 2005.

(b) Recognition of income

Dividends on equities are included when the investments concerned are quoted ex-dividend. Interest on deposits is recognised on a daily accruals basis. Fixed interest stocks are recognised on a daily accruals basis and are amortised on a basis consistent with the effective yield of the bond applicable on the date of the purchase.

(c) Treatment of stock dividends

Stock dividends are treated as income and form part of the distribution. Where the market value of the stock exceeds the equivalent cash distribution, the excess is deducted from the cost of investments purchased.

(d) Treatment of special dividends

Where a special dividend is linked directly to a capital event and results in a reduction in the capital share value of the company the special dividend is treated as capital in nature and is deducted from the cost of investments purchased.

Where the special dividend is paid out of profits of the company the dividend is treated as income.

(e) Treatment of expenses

All expenses except those relating directly to the purchase and sale of investments, which includes stamp duty reserve tax are charged against the income of the Fund. Transaction fees and legal fees are charged against the income but are deducted from capital in arriving at the distributable amount.

(f) Taxation

UK corporation tax is provided at amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 31 January 2009 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

(g) Distribution policy

Where net income is available, distributions are made semi-annually from the Company on 31 July (interim) and 31 January (final) and take the form of dividend distributions.

(h) Basis of valuation of investment

The quoted investments of the fund have been valued at bid prices at 12 noon on 31 January 2009. Unlisted or suspended securities are valued by the manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other factors.

(i) Exchange rates

Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange ruling at 12 noon on 31 January 2009. Foreign currency transactions are translated at the rates of exchange ruling on the date of receipt. Exchange differences arising from investments are taken to the capital account. Exchange differences arising from overseas dividends are taken to the revenue account.

(j) Income equalisation

Equalisation is the average amount of income included in the purchase price of all Group 2 shares (shares purchased during the distribution period) and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax.

(k) Use of derivatives

Where appropriate, certain permitted transactions such as derivatives can be used for efficient portfolio management and/or hedging purposes. Where such instruments are used to protect or enhance income, the income and expenses derived there from are included in "Income" or "Expenses" in the Statement of Total Return. Where such instruments are used to protect or enhance capital, the gains and losses derived there from are included in "Net gains/(losses)" in the Statement of Total Return. Any positions on such transactions open at the period end are reflected in the balance sheet at their marked to market value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the period from launch on 14 September 2007 to 31 January 2009

2 NET LOSSES ON INVESTMENTS

The net losses on investments during the period comprise:

	31/01/2009*
	£
Non-derivative securities	(394,201)
Net losses on investments	<u>(394,201)</u>

3 OTHER GAINS

Other gains during the period comprise:

	31/01/2009
	£
Currency gains	<u>18</u>

4 INCOME

	31/01/2009
	£
UK dividends	47,390
Bank interest	2,683
Unfranked dividends	2,707
Total income	<u><u>52,780</u></u>

5 EXPENSES

	31/01/2009
	£
Payable to the ACD, associates of the ACD and agents of either of them:	
ACD's periodic charge	<u>8,821</u>
	<u><u>8,821</u></u>
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	12,062
Safe custody fees	35
	<u>12,098</u>
Other expenses:	
Audit fees	7,820
FSA fees	350
Professional fees	10,634
Transaction fees	2,575
	<u>21,379</u>
Total expenses	<u><u>42,297</u></u>

**Being the first accounting period there are no comparatives shown.*

6 TAXATION

a) Analysis of tax charge in the period

	31/01/2009*
	£
Overseas tax	340
Total taxation	<u>340</u>

b) Factors affecting the tax charge for the current period

The tax charge is lower than that resulting from applying the standard rate of UK corporation tax as applicable to authorised funds of 20% (2007: 20%). The differences are explained below:

	31/01/2009
	£
Net income before taxation	<u>9,934</u>
Corporation tax at 20%	1,987
Excess management expenses	4,918
UK dividend income	(9,478)
Overseas tax rates	340
Overseas tax expensed	(68)
Expenses in capital	(1,764)
Expenses charged to capital	<u>4,405</u>
Total current taxation	<u>340</u>

At the year end the Trust has excess management expenses carried forward of £24,588 resulting in a deferred tax asset of £4,918. It is uncertain whether the Trust will generate sufficient taxable profits in the future to utilise the net deferred tax asset amount, and therefore, no deferred tax asset has been recognised in the current period.

7 FINANCE COSTS

Distributions and interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise:

	31/01/2009
	£
Interim	27,252
Final	<u>12,896</u>
	40,148
Add: Income deducted on cancellation of shares	549
Deduct: Income received on creation of shares	<u>(9,084)</u>
Net distribution for the period	31,613
Interest	549
Total finance costs	<u>32,162</u>
Movement between net income and distributions:	
Income brought forward	-
Net income after taxation	9,594
Expenses charged to capital	22,030
Income carried forward	(10)
Net distributions for the period	<u>31,613</u>

Details of the distribution per share are set out in the distribution table.

**Being the first accounting period there are no comparatives shown.*

8 DEBTORS

	31/01/2009*
	£
Accrued income	
UK dividends	1,996
Bank Interest	<u>103</u>
	<u>2,099</u>
Overseas tax recoverable	-
Total debtors	<u><u>2,099</u></u>

9 CASH AND BANK BALANCES

	31/01/2009
	£
Cash and bank balances	<u>143,956</u>
Total cash and bank balances	<u><u>143,956</u></u>

10 CREDITORS

	31/01/2009
	£
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Safe custody fees	<u>13</u>
	<u>13</u>
Other expenses:	
Audit fees	7,820
FSA fees	350
Transaction fees	813
Trustee fees	<u>23</u>
	<u>9,005</u>
Total creditors	<u><u>9,018</u></u>

11 BANK OVERDRAFTS

	31/01/2009
	£
Total bank overdrafts	<u><u>8,821</u></u>

12 RELATED PARTY TRANSACTIONS

a) Smith & Williamson Fund Administration Limited, as Authorised Corporate Director ("the ACD"), and the Royal Bank of Scotland, as Depositary ("the Depositary"), are related parties due to their ability to act in respect of the operations of the fund. The Bank of New York ("the Custodian") provides custody services in respect of the assets of the fund.

The ACD acts as principal in respect of all transactions of shares in the fund. The aggregate monies received through creations and cancellations of shares are disclosed in the Statement of Change in Shareholders' Net Assets.

Amounts payable to the ACD in respect of fund management and registration services, amounts payable to the Depositary in respect of depositary services and amounts payable to the Custodian in respect of custody services are disclosed in note 5 to the Financial Statements. Amounts due to the ACD, Depositary and Custodian at the period end are disclosed in Note 10 to the financial statements.

**Being the first accounting period there are no comparatives shown.*

b) A shareholder with a holding in excess of 20% of the value of the fund may be able to exercise significant influence over the financial and operating policies of the fund with reference to that shareholder's voting rights at general meetings, and as such is deemed to be a related party.

Parties with an interest in excess of 20% of the sub-fund by value are as follows:

Income retail	Held at 31/01/2009	Held at 31/07/2008	Change in period
City of London Group Plc	500,300	500,300	-
Income institutional	Held at 31/01/2009	Held at 31/07/2008	Change in period
Hargreaves Lansdown Nominees Ltd	2,295	3,819	(1,524)
Mr David John Moss	22,698	-	22,698
Accumulation retail	Held at 31/01/2009	Held at 31/07/2008	Change in period
Hargreaves Lansdown Nominees Ltd	36,169	33,242	2,927
Transact Nominees Ltd	72,919	36,832	36,087
Mrs Dominique Lambrecht	45,509	-	45,509
Accumulation institutional	Held at 31/01/2009	Held at 31/07/2008	Change in period
Mr Christopher Hutton-Squire	155,252	-	155,252
Walpole St Andrew Nominees Ltd	164,739	149,091	15,648
Giltspur Nominees Ltd	99,560	114,569	(15,009)
Accumulation class F	Held at 31/01/2009	Held at 31/07/2008	Change in period
L R Nominees Ltd	1,261	1,261	-
Stadia Trustees Ltd	124,198	-	124,198

13 SHARE CLASSES

There are currently two share classes available in the fund; net income and net accumulation shares. The annual management charge and investment management charge for these are 1.5% A Class, 1.25% B Class and 0.75% X Class of the average net assets calculated on a monthly basis.

14 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

a) Derivatives

In the opinion of the Authorised Corporate Director the use of derivatives does not have a significant impact on the operations of the Fund and accordingly a sensitivity analysis is not presented.

b) Currency exposure

A proportion of the net assets of the company are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

The currency risk of the company's financial assets and liabilities at the balance sheet date was:

	31/01/2009*
	£
Monetary exposures	
UK Sterling	135,135
Non-monetary exposures	
UK Sterling	844,604
Total net assets	<u><u>979,739</u></u>

*Being the first accounting period there are no comparatives shown.

c) Interest rate risk profile of financial assets and financial liabilities

The interest rate risk of the company's financial assets and liabilities at the balance sheet date was:

	31/01/2009 £
Floating rate financial assets	
UK Sterling	143,956
Financial assets not carrying interest	
UK Sterling	858,482
Total assets	<u>1,002,438</u>
Floating rate financial liabilities	
UK Sterling	(8,821)
Financial liabilities not carrying interest	
UK Sterling	(13,878)
Total liabilities	<u>(22,699)</u>
Total net assets	<u><u>979,739</u></u>

There are no material amounts on non-interest bearing financial assets other than securities, which do not have maturity dates.

The floating rate financial assets and liabilities comprise:
Sterling denominated bank balances and overdrafts that bear interest linked to LIBOR.

Fair value of financial assets and financial liabilities

There is no material difference between the value of financial assets and liabilities, as shown in the balance sheet, and their fair value.

15 PORTFOLIO TRANSACTION COSTS

	£	31/01/2009* £
Analysis of total purchase costs:		
Purchases in period before transaction costs		1,344,915
Commissions	950	
Stamp duty	1,888	
PTM	4	
	<u> </u>	
Total purchase costs		<u>2,842</u>
Total purchases including transaction costs		<u><u>1,347,757</u></u>
Analysis of total sale costs:		
Sales in period before transaction costs		104,692
Commissions	(144)	
PTM	(3)	
	<u> </u>	
Total sales costs		<u>(147)</u>
Total sales net of transaction costs		<u><u>104,545</u></u>

16 SOFT COMMISSION ARRANGEMENTS

There were no soft commission arrangements during the period with the Investment Adviser or its associates.

17 COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities at the balance sheet date.

18 DILUTION LEVY

In accordance with the prospectus, the ACD may charge a discretionary dilution levy on the sale and redemption of shares. In the accounting period covered by this report, no dilution levy has been charged.

**Being the first accounting period there are no comparatives shown.*

DISTRIBUTION TABLE

for the period from launch on 14 September 2007 to 31 January 2009

Interim: Distribution number 1

Income Units

Group 1 - shares purchased prior to 14 September 2007

Group 2 - shares purchased between 14 September 2007 and 31 July 2008

	Gross income 2008 pence per share	Tax credit 2008 pence per share	Net income 2008 pence per share	Equalisation 2008 pence per share	Distribution payable 2008 pence per share
Group 1	2.769	0.277	2.492	-	2.492
Group 2	2.454	0.245	2.209	0.283	2.492

Accumulation Units

Group 1 - shares purchased prior to 14 September 2007

Group 2 - shares purchased between 14 September 2007 and 31 July 2008

	Gross income 2008 pence per share	Tax credit 2008 pence per share	Net income 2008 pence per share	Equalisation 2008 pence per share	Distribution payable 2008 pence per share
Group 1	2.769	0.277	2.492	-	2.492
Group 2	1.557	0.156	1.401	1.091	2.492

Final: Distribution number 2**Income Retail Units**

Group 1 - shares purchased prior to 1 August 2008

Group 2 - shares purchased between 1 August 2008 to 31 January 2009

	Gross income 2009 pence per share	Tax credit 2009 pence per share	Net income 2009 pence per share	Equalisation 2009 pence per share	Distribution payable 2009 pence per share
Group 1	0.908	0.091	0.817	-	0.817
Group 2	0.000	0.000	0.000	0.817	0.817

Income Institutional Units

Group 1 - shares purchased prior to 1 August 2008

Group 2 - shares purchased between 1 August 2008 to 31 January 2009

	Gross income 2009 pence per share	Tax credit 2009 pence per share	Net income 2009 pence per share	Equalisation 2009 pence per share	Distribution payable 2009 pence per share
Group 1	0.878	0.088	0.790	-	0.790
Group 2	0.000	0.000	0.000	0.790	0.790

Accumulation Retail Units

Group 1 - shares purchased prior to 1 August 2008

Group 2 - shares purchased between 1 August 2008 to 31 January 2009

	Gross income 2009 pence per share	Tax credit 2009 pence per share	Net income 2009 pence per share	Equalisation 2009 pence per share	Distribution payable 2009 pence per share
Group 1	0.899	0.090	0.809	-	0.809
Group 2	0.051	0.005	0.046	0.763	0.809

Accumulation Institutional Units

Group 1 - shares purchased prior to 1 August 2008

Group 2 - shares purchased between 1 August 2008 to 31 January 2009

	Gross income 2009 pence per share	Tax credit 2009 pence per share	Net income 2009 pence per share	Equalisation 2009 pence per share	Distribution payable 2009 pence per share
Group 1	0.932	0.093	0.839	-	0.839
Group 2	0.084	0.008	0.076	0.763	0.839

Accumulation Class F Units

Group 1 - shares purchased prior to 1 August 2008

Group 2 - shares purchased between 1 August 2008 to 31 January 2009

	Gross income 2009 pence per share	Tax credit 2009 pence per share	Net income 2009 pence per share	Equalisation 2009 pence per share	Distribution payable 2009 pence per share
Group 1	1.081	0.108	0.973	-	0.973
Group 2	0.000	0.000	0.000	0.973	0.973

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